

Directors' Report

The Directors present their annual report and the audited financial statements of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") for the period from 1 January 2004 to 30 June 2005.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of its principal subsidiaries are set out in note 13 to the financial statements.

BUSINESS COMBINATION

Details of the business combination are set out in note 2 to the financial statements.

CHANGE OF COMPANY NAME AND FINANCIAL YEAR END DATE

Following the completion of the business combination, on 20 August 2004, the Directors of the Company resolved to change the Company's financial year end date from 31 December to 30 June to align with that of Solartech International Holdings Limited, its ultimate holding company. Pursuant to a special resolution passed at the special general meeting of the Company held on 17 September 2004, the name of the Company was also changed from FT Holdings International Limited to Hua Yi Copper Holdings Limited.

RESULTS

The results of the Group for the period from 1 January 2004 to 30 June 2005 are set out in the consolidated income statement on page 22.

The directors do not recommend the payment of a dividend.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past four financial periods is set out on page 66.

PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent HK\$121,323,000 on the acquisition of property, plant and equipment to expand the Group's production facilities.

The leasehold land and buildings of the Group were revalued on 30 June 2005. The revaluation resulted in a net surplus over book values of HK\$5,624,000 which has been credited directly to the asset revaluation reserve.

Details of these and other movements during the period in the property, plant and equipment of the Group are set out in note 12 to the financial statements.

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SHARE CAPITAL

Pursuant to the share consolidation scheme of the Company effective on 30 December 2004, every twenty existing ordinary shares of HK\$0.01 each of the Company were consolidated into one new ordinary share of HK\$0.20 each.

Details of these changes and other movements during the period in the share capital of the Company are set out in note 23 to the financial statements.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The Directors of the Company during the period and up to the date of this report were:

Executive directors:

Mr. Chau Lai Him (<i>Chairman and Managing Director</i>)	(appointed on 11 August 2004)
Mr. Chu Yuk Kuen	
Mr. Hui Chun Lam	(appointed on 11 August 2004)
Mr. Lau Man Tak	(appointed on 21 September 2004)
Mr. Lei Hong Wai	
Mr. Ng Tak Chak, Nelson	(resigned on 11 August 2004)
Mr. Lam Kwan Sing	(resigned on 14 June 2005)
Mr. Yip Kwok Cheung	(resigned on 11 August 2004)

Independent non-executive directors:

Mr. Chow Kin Ming	(appointed on 23 June 2005)
Mr. Chung Kam Kwong	(appointed on 11 August 2004)
Ms. Lo Miu Sheung, Betty	
Mr. Chun Jay	(resigned on 29 June 2005)

Except for the Chairman, all directors are subject to retirement by rotation.

In accordance with Clause 87(1) and Clause 86(2) of the Company's Bye-Laws, Messrs. Chu Yuk Kuen, Hui Chun Lam, Lau Man Tak, Chung Kam Kwong and Chow Kin Ming shall retire and, being eligible, offer themselves for re-election. The remaining directors continue in office.

Independent non-executive directors are not appointed for a specific term and are subject to retirement by rotation in accordance with the above Bye-Laws.

None of the directors proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

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DIRECTORS' INTERESTS IN SECURITIES

As at 30 June 2005, the interests of the directors and their associates in the shares of the Company (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register kept by the Company under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules were as follows:

Long position in the shares of the Company

Name of director	Number of issued ordinary shares beneficially held	Percentage of the issued share capital of the Company
Mr. Chau Lai Him	50,000	0.01%

Other than as disclosed above, none of the directors nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporation at 30 June 2005.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2005, the substantial shareholders (within the meaning of the Listing Rules) of the Company and certain persons other than a director or a chief executive of the Company who are required to disclose their interests pursuant to Part XV of the SFO had the following interests or short position in the shares and underlying shares of the Company as recorded in the register kept by the Company under section 336 of the SFO:

Long position in the shares of the Company

Name	Number of issued ordinary shares held	
	Corporate interest	Percentage of holding
Solartech International Holdings Limited ("Solartech")	397,121,875 (Note)	71.49%
Skywalk Assets Management Limited ("Skywalk")	397,121,875 (Note)	71.49%

Note: Given Skywalk is a wholly owned subsidiary of Solartech, Solartech was deemed to be interested in the shares of the Company by virtue of the SFO.

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DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contract of significance to which the Company, its ultimate holding company or any of its subsidiaries or fellow subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the period or at any time during the period.

MAJOR CUSTOMERS AND SUPPLIERS

For the period from 1 January 2004 to 30 June 2005, the five largest customers of the Group together accounted for approximately 43% of the Group's total turnover, with the largest customer accounted for approximately 12%. The five largest suppliers of the Group together accounted for approximately 80% by value of the Group's total purchases during the period, with the largest supplier accounted for approximately 36%.

At no time during the period did a director, an associate of a director or a shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company's share capital) have an interest in any of the Group's five largest suppliers or customers.

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CONNECTED TRANSACTIONS

On 11 August 2004, Wah Yeung Capital Resources Limited, Hua Yi Copper Products Company Limited and Dongguan Hau Yi Brass Products Co., Ltd., all being wholly owned subsidiaries of the Company, entered into a master supply and purchase agreement with Solartech, a substantial shareholder of the Company, for the sale of copper wires and other related products to Solartech and its subsidiaries excluding the Group (the "Remaining Solartech Group"). The sale of copper wires and other related products to the Remaining Solartech Group for the period from 11 August 2004 to 30 June 2005 amounted to HK\$169,171,000.

The independent non-executive directors confirm that the connected transactions were conducted in the ordinary course of its business, on normal commercial terms and in accordance with the terms of the agreement governing such transactions that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

In addition, the Company entered into an indemnity agreement on 11 August 2004 with Solartech pursuant to which Solartech will indemnify the Company and hold the Company harmless in relation to the continued provision of the joint and several corporate guarantees by the Group and the Remaining Solartech Group to their bankers for banking facilities granted to both of them.

Further details of these connected transactions are included in the Company's circular to the shareholders dated 21 July 2004.

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DISCLOSURE PURSUANT TO RULE 13.13 OF THE LISTING RULES

The Group's aggregate trade receivables balance due from Chau's Electrical Company Limited and Dongguan Qiaozi Chau's Electrical Company Limited, the wholly owned subsidiaries of Solartech, as at 31 July 2004 exceeded 8% of the total market capitalisation of the Company as at 11 August 2004, and in compliance with the disclosure obligations under Rule 13.13 of the Listing Rules, the Company had disclosed in the announcement dated 11 August 2004 the details of the advance provided by the Company to the two entities.

As at 30 June 2005, the circumstances giving rise to the disclosure obligations under Rule 13.13 of the Listing Rules continued to exist and in accordance with Rule 13.20 of the Listing Rules, details of the relevant advance to the two entities are as follows:

The aggregate trade receivables balance due from Chau's Electrical Company Limited and Dongguan Qiaozi Chau's Electrical Company Limited was approximately HK\$71,991,000, representing 13.9% of the market capitalisation of the Company and approximately 10.5% of the total assets of the Group as at 30 June 2005.

SHARE OPTIONS

On 4 December 2003, the Company adopted a new share option scheme (the "New Share Option Scheme") which replaced the Company's old share option scheme adopted in 1996 (the "Old Share Option Scheme"). Particulars of these share option schemes are set out in note 32 to the financial statements.

The following table discloses movements in the Company's New Share Option Scheme during the period:

Capacity	Date of grant	Exercisable period	Exercise price HK\$	Number of share options		Number of share options exercisable for the period			
				Outstanding at 1.1.2004	Granted during the period	Outstanding at 30.6.2005	1.4.2005 to 31.3.2006	1.4.2006 to 31.3.2007	1.4.2007 to 31.3.2008
Employees	1 April 2005	1 April 2005 to 31 March 2008	0.87	-	1,600,000	1,600,000	1,200,000	1,400,000	1,600,000
Employees	1 April 2005	1 April 2005 to 31 March 2007	0.87	-	1,500,000	1,500,000	750,000	1,500,000	1,500,000
Others	1 April 2005	1 April 2005 to 31 March 2008	0.87	-	9,856,000	9,856,000	9,856,000	9,856,000	9,856,000
Total				-	12,956,000	12,956,000	11,806,000	12,756,000	12,956,000

On 29 September 2005, the Directors resolved to cancel all the outstanding share options under the Company's New Share Option Scheme.

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SHARE OPTIONS (continued)

The following table discloses movements in the Company's Old Share Option Scheme during the period:

Capacity	Date of grant	Exercisable period	Exercise price HK\$	Number of share options			Balance at 30.6.2005
				Balance at 1.1.2004	Lapsed during the period	Adjustment during the period (Note)	
Employees	7 March 1997	7 March 1997 to	0.7056	9,500,000	(5,500,000)	(4,000,000)	-
		6 March 2007	14.1120	-	-	200,000	200,000
Total				9,500,000	(5,500,000)	(3,800,000)	200,000

Note: Following the share consolidation of the Company which took effect on 30 December 2004, the number of and the exercise price of the outstanding share options were adjusted and the adjusted number of the outstanding share options and the exercise price payable upon the exercise of the subscription rights attaching to the outstanding share options under the Old Share Option Scheme are as follows:

Number of outstanding share options		Exercise price	
Before adjustment	After adjustment	Before adjustment HK\$	After adjustment HK\$
4,000,000	200,000	0.7056	14.112

At the balance sheet date, the Company had 12,956,000 share options outstanding under the New Share Option Scheme, which represented approximately 2.3% of the Company's shares in issue as at that date. The exercise in full in the remaining share options would, under the present capital structure of the Company, result in the issue of 12,956,000 additional ordinary shares of the Company and additional share capital of HK\$2,591,200 and share premium of HK\$8,680,520 (before issue expenses).

The Directors do not consider it appropriate to disclose the value of the options granted under the New Share Option Scheme during the period as any such valuation would be subject to a number of uncertain assumptions. The directors believe that the evaluation of share options based on speculative assumptions would not be meaningful to the shareholders.

The closing price of the Company's shares immediately before the date of grant was HK\$0.87.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the period was the Company, its ultimate holding company or any of its subsidiaries or fellow subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

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PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period.

CORPORATE GOVERNANCE

The Company has complied throughout the period with the Code of Best Practice as set out in Appendix 14 to the Listing Rules, except that the independent non-executive directors are not appointed for a specific term but are subject to retirement by rotation.

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard set out in Appendix 10 to the Listing Rules (the "Model Code"). Having made specific enquiry with all of the Directors, the Directors confirmed they have complied with the required standard set out in the Model Code and the code of conduct regarding securities transactions by directors adopted by the Company.

The Company has received, from each of the independent non-executive directors, an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive directors are independent.

AUDIT COMMITTEE

The principal duties of the audit committee are reviewing the internal controls and the financial reporting requirements of the Group. The audit committee is satisfied with the Group's internal controls procedures and the financial reporting disclosures.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the period from 1 January 2004 to 30 June 2005.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws, or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

EMOLUMENT POLICY

Emolument policy on the remuneration of the directors and the employees of the Group is reviewed periodically and determined by reference to market terms, company performance, and individual qualifications and performance.

The Company has adopted a share option scheme as an incentive to directors and eligible employees, details of the scheme are set out in note 32 to the financial statements.

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POST BALANCE SHEET EVENTS

Details of significant events occurring after the balance sheet date are set out in note 35 of the financial statements.

AUDITORS

In December 2003, Messrs. Ernst & Young resigned and Messrs. Charles Chan, Ip & Fung CPA Ltd were appointed as auditors of the Company for the year ended 31 December 2003.

During the period, Messrs. Charles Chan, Ip & Fung CPA Ltd., resigned and Messrs. Deloitte Touche Tohmatsu were appointed as auditors of the Company.

A resolution will be submitted to the annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board

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Chau Lai Him

Chairman

29 September 2005

As at the date of this report, the executive Directors are Mr. Chau Lai Him, Mr. Chu Yuk Kuen, Mr. Lei Hong Wai, Mr. Hui Chun Lam and Mr. Lau Man Tak and the independent non-executive Directors are Ms. Lo Miu Sheung, Betty, Mr. Chung Kam Kwong and Mr. Chow Kin Ming.